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SUBJECT: FAYYAD TO CODEL WEXLER: CONDITIONS IMPROVED IN THE
WEST BANK, BUT ISRAELI PRACTICES HINDER FURTHER PROGRESS

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d)

11. (C) Summary: PA Prime Minister Salam Fayyad thanked Representative Wexler for Congress' continued support for Palestinian assistance programs. He said that the economic situation in the West Bank is better than one year ago due to improved security and unprecedented levels of donor support. He noted, however, that GOI practices in the West Bank, including IDF incursions and continued restrictions on movement, have not allowed the PA to achieve "breakthroughs" on security or economic issues. Fayyad underscored that continued settlement activity diminishes the prospects for a two-state solution. He claimed that Palestinian support for Hamas has weakened -- most notably following Hamas' refusal to allow thousands of Gazans to travel for the Haj. End summary.

Fayyad: Time for Israel to change its approach

12. (C) On December 3, PM Fayyad told Representative Robert Wexler (D-FL) and the Consul General that Congressional support for budget assistance to the PA and other US assistance programs had allowed his government to pay back salaries and embark on significant financial reforms. Fayyad claimed that West Bank unemployment has fallen under his government, and that revenues are increasing due to an aggressive security effort and high levels of external assistance. However, Fayyad complained that economic and security progress in the West Bank remains capped by GOI practices, including incursions and continued restrictions on access and movement. Fayyad said "the time is now" for the GOI to change its security posture in the West Bank. The GOI needs to support the PA's security efforts in the West Bank, as PASF have the will and capacity to maintain law and order, he said. He stressed the recent success of PA security operations in Jenin, Nablus, and Hebron.

13. (C) Fayyad stressed the importance of addressing the GOI's continued expansion of settlements following Annapolis and the "fierce and frequent" attacks by settlers on Palestinians in the West Bank. He said it is important that the new US Administration act immediately to further Israeli and Palestinian implementation of each side's Roadmap obligations. He said that continued settlement activity "flies in the face of the possibility of a two state solution."

Economic growth linked to political progress

14. (C) Representative Wexler asked Fayyad about press reports that attributed an "economic peace plan" to Likud leader Binyamin Netanyahu. Fayyad described the idea of pursuing

economic initiatives in the absence of permanent status discussions as "superficial and short-sighted." Fayyad said that any refusal to discuss permanent status issues with the PA would be a mistake, as economic issues in the West Bank and Gaza are inextricably intertwined with politics.

Fatah-Hamas dialogue undermines Hamas

15. (C) Fayyad told Wexler that Fatah-Hamas reconciliation efforts highlight Hamas's unwillingness to compromise and inability to be constructive. Fayyad told Wexler that Hamas's political base in the West Bank is undermined by economic progress, particularly when compared to the economic disaster in Gaza. In addition, Hamas' decision to prevent thousands of Haj pilgrims from departing Gaza has deeply damaged the group's political standing, according to Fayyad.

16. (U) CODEL Wexler was not able to review this cable prior to its departure.

WALLES